

*Auditors' Report and Financial Statements of*

**TIDES CANADA FOUNDATION**

*December 31, 2004*

## Auditors' Report

To the Board of Directors of  
Tides Canada Foundation

We have audited the statement of financial position of Tides Canada Foundation (the "Foundation") as at December 31, 2004 and the statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2004 and the results of its activities, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Vancouver, British Columbia  
March 18, 2005

**TIDES CANADA FOUNDATION**  
(Incorporated under Society Act of British Columbia)  
**Statement of Financial Position**  
December 31, 2004

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		(Restated) (Note 3)
<b>CURRENT</b>		
Cash	\$ 402,726	\$ 1,143,644
Term deposits	1,320,450	-
Investments	6,238,110	5,906,589
Accounts receivable	145,351	561,565
Trust assets	9,626,268	9,444,356
Prepaid expenses and other	7,394	4,980
	<u>17,740,299</u>	<u>17,061,134</u>
PROPERTY AND EQUIPMENT (Note 4)	53,428	69,792
OTHER ASSETS	49,816	49,816
<b>TOTAL ASSETS</b>	<b>\$ 17,843,543</b>	<b>\$ 17,180,742</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 60,669	\$ 812,318
Trust liabilities	9,626,268	9,444,356
	<u>9,686,937</u>	<u>10,256,674</u>
<b>FUND BALANCES (Notes 3 and 5)</b>		
General		
Unrestricted	6,833,296	5,924,973
Internally restricted	470,000	410,000
Invested in property and equipment	53,428	69,792
Externally restricted	472,382	519,303
Endowments	327,500	-
	<u>8,156,606</u>	<u>6,924,068</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,843,543</b>	<b>\$ 17,180,742</b>

APPROVED BY:

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Joel Solomon, Director

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James Morrissey, Treasurer

**TIDES CANADA FOUNDATION**  
**Statement of Activities and Changes in Net Assets**  
Year ended December 31, 2004

	General (Note 5)	Externally Restricted	Endowments	<b>2004 Total</b>	2003 Total (Restated) (Note 3)
<b>REVENUES</b>					
Support grants and earned income	\$ 866,867	\$ -	\$ -	\$ 866,867	\$ 723,014
Grantmaking	3,980,631	2,571,063	327,500	6,879,194	4,227,112
Investment and other revenue	100,956	-	-	100,956	90,604
<b>TOTAL REVENUES</b>	<b>4,948,454</b>	<b>2,571,063</b>	<b>327,500</b>	<b>7,847,017</b>	<b>5,040,730</b>
<b>EXPENSES</b>					
General and administrative (Schedule)	880,425	-	-	880,425	826,159
Grantmaking	3,116,070	2,617,984	-	5,734,054	5,968,928
<b>TOTAL EXPENSES</b>	<b>3,996,495</b>	<b>2,617,984</b>	<b>-</b>	<b>6,614,479</b>	<b>6,795,087</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>951,959</b>	<b>(46,921)</b>	<b>327,500</b>	<b>1,232,538</b>	<b>(1,754,357)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>6,404,765</b>	<b>519,303</b>	<b>-</b>	<b>6,924,068</b>	<b>8,678,425</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 7,356,724</b>	<b>\$ 472,382</b>	<b>\$ 327,500</b>	<b>\$ 8,156,606</b>	<b>\$ 6,924,068</b>

**TIDES CANADA FOUNDATION**  
**Statement of Cash Flows**  
Year ended December 31, 2004

	<u>2004</u>	<u>2003</u> (Restated) (Note 3)
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 1,232,538	\$ (1,754,357)
Add item not requiring cash:		
Amortization	62,506	56,423
Changes in:		
Accounts receivable	416,214	(481,205)
Prepaid expenses and other	(2,414)	1,910
Accounts payable and accrued expenses	(751,649)	791,441
Net cash used in operating activities	957,195	(1,385,788)
<b>INVESTING ACTIVITIES</b>		
Term deposits	(1,320,450)	-
Investments	(331,521)	(5,906,589)
Purchase of property and equipment	(46,142)	(80,553)
Net cash used in investing activities	(1,698,113)	(5,987,142)
<b>FINANCING ACTIVITY</b>		
Repayment of loan payable	-	(28,665)
DECREASE IN CASH	(740,918)	(7,401,595)
CASH, BEGINNING OF YEAR	1,143,644	8,545,239
CASH, END OF YEAR	<b>\$ 402,726</b>	<b>\$ 1,143,644</b>

# TIDES CANADA FOUNDATION

## Notes to the Financial Statements

Year ended December 31, 2004

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### 1. OPERATING MANDATE

The Tides Canada Foundation (the "Foundation") is a registered non-profit society and is a registered charity under the Income Tax Act. The Foundation is not taxable under the Federal Income Tax Act. The Foundation receives contributions through grants and donations from individuals, foundations, and corporations. Distribution of funds for philanthropic purposes is made primarily through the direct operation of a grantmaking program. The mission of the Foundation is to create partnerships with donors and charitable organizations to grow and organize resources for social change and environmental sustainability. The Foundation wishes to facilitate innovative and effective grantmaking programs, foster opportunities for learning, and build a donor community.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Fund accounting*

The Foundation follows the restricted fund method of accounting for contributions.

##### *General Fund*

This fund reports amounts including earned income, grant donations and investment income, to be used to support the Foundation's administrative and grantmaking activities. The donors have placed no restrictions on the use of these amounts; the distribution of grants is determined by the Foundation's Board of Directors. Included within the General Fund is an Internally Restricted Reserve. This amount represents restrictions by the Board of Directors on unrestricted fund balances for use by the Foundation limited to the Foundation's general and administrative operations.

##### *Externally Restricted Fund*

This fund reports grant donations whose use by the Foundation is restricted by donors to specific purposes. The use of these donations by the Foundation is limited by donor-imposed stipulations.

##### *Endowment Fund*

These amounts represent donations that have been restricted as 10 year gifts.

The Foundation uses a common bank account to administer its cash transactions.

#### (b) *Revenue recognition*

Unrestricted grants are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned. Restricted grants are recognized as revenue of the Externally Restricted Fund or Endowment Fund, as appropriate. Investment income earned on Endowment resources is reported in the General Fund as the retention or distribution of this income is determined by the Foundation's Board of Directors

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**TIDES CANADA FOUNDATION**  
**Notes to the Financial Statements**  
**Year ended December 31, 2004**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(c) *Investments*

The Foundation records its investments at cost. When an other than temporary decline in market value occurs, the Foundation writes down the investment to recognize the loss.

(d) *Trust assets and liabilities*

The Foundation receives funds that are accounted for as assets held in trust with a trust liability for the designated recipients recorded in the same amount. Distributions to the designated recipients are made when all of the terms and conditions established by the donor have been fulfilled.

(e) *Property and equipment*

Property and equipment are recorded at cost and are amortized on a straight-line basis over the estimated useful lives of assets as follows:

Computer software	2 years
Furniture and equipment	3 years
Leasehold improvements and telephone equipment	6 years

(f) *Functional expense allocations*

Expenses, such as amortization, supplies and travel are allocated to grantmaking and general and administrative expenses based on estimates made by the Foundation's management.

(g) *Fair value of financial instruments*

As of December 31, 2004, the estimated fair value of the Foundation's financial instruments (including cash, term deposits, accounts receivable and accounts payable) approximates their carrying values due to their short term to maturity.

(h) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**TIDES CANADA FOUNDATION**  
**Notes to the Financial Statements**  
Year ended December 31, 2004

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**3. CHANGE IN ACCOUNTING POLICY**

On January 1, 2004, the Foundation changed its financial statement presentation to be in compliance with the recommendations of CICA Handbook Section 4400, Financial Statement Presentation by Not For Profit Organizations, for the presentation of fund balances under the restricted fund method of accounting for contributions. This change was applied retroactively with restatement of prior year figures and had the result of \$999,095 previously recorded as unrestricted being classified as restricted.

**4. PROPERTY AND EQUIPMENT**

Property and equipment are comprised of the following at December 31:

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 56,622	\$ 56,622	\$ -	\$ -
Furniture and equipment	145,225	113,710	31,515	34,151
Leasehold improvements	82,373	60,460	21,913	35,641
	<b>\$ 284,220</b>	<b>\$ 230,792</b>	<b>\$ 53,428</b>	<b>\$ 69,792</b>

**5. GENERAL FUND BALANCES**

	2004				2003
	General Fund				Total
Unrestricted	Internally Restricted	Invested in Property and Equipment	Total	Total	
Fund balances, beginning of year	\$ 5,924,973	\$ 410,000	\$ 69,792	\$ 6,404,765	\$ 8,159,122
Excess (deficiency) of revenues over expenses	1,014,465	-	(62,506)	951,959	(1,754,357)
Acquisition of property and equipment	(46,142)	-	46,142	-	-
Fund transfer	(60,000)	60,000	-	-	-
Fund balances, end of year	<b>\$ 6,833,296</b>	<b>\$ 470,000</b>	<b>\$ 53,428</b>	<b>\$ 7,356,724</b>	<b>\$ 6,404,765</b>

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**TIDES CANADA FOUNDATION**  
**Notes to the Financial Statements**  
**Year ended December 31, 2004**

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**6. COMMITMENTS**

The Foundation has an operating lease for office space which expires in 2006 with two renewal periods. As at December 31, 2004, minimum rental commitments are as follows:

2005	\$	41,760
2006		24,360

**7. COMPARATIVE FIGURES**

Certain prior period figures have been reclassified to conform with the current year presentation.

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**TIDES CANADA FOUNDATION**  
**Schedule of General and Administrative Expenses**  
**Year ended December 31, 2004**

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	<u>2004</u>	<u>2003</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising and promotion	\$ 19,506	\$ 47,786
Amortization	62,506	56,423
Business advisory services	48,000	102,978
Computer	9,604	19,584
Consulting fees	54,988	49,903
Legal and audit fees	29,674	18,528
Office and miscellaneous	82,167	82,244
Rent	68,185	52,262
Salaries and benefits	445,294	337,989
Telephone	11,551	12,246
Travel	48,950	46,216
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>\$ 880,425</b>	<b>\$ 826,159</b>